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2001 Annual Report

Overseas

Private
Investment
Corporation

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President's message

Having originally served OPIC in the early days of the first Bush administration, I joined anew last year with a firm belief in the agency's possibilities. It was a belief that took root a decade ago from the perspective of that experience, and one that has only grown stronger as I have had ample opportunity to observe

A refocused strategic plan

OPIC from other vantage points. This agency has had a long-standing impact in fostering economic development abroad while helping to strengthen the U.S. economy at home. When President George W. Bush asked me to serve his administration as president and CEO of OPIC, I accepted the assignment with enthusiasm. I rejoined OPIC with an appreciation of the organization's outstanding record of accomplishments as well as a belief that the agency can do more and, with a refocused strategic plan, can do it even better.

During the past 30 years, OPIC has demonstrated its unique value as an instrument of U.S. international economic policy. First and foremost, OPIC has been a catalyst for mobiliz-

ing private U.S. capital to spur sustainable development in new and emerging markets. OPIC's success in fulfilling this mandate has given life to the proposition that government leadership in *managing the risks* associated with foreign direct investment could effectively mobilize capital and human resources for development. These resources would not otherwise have been made available. One measure of OPIC's success is the growth of some of the countries that OPIC has helped develop into mature, open and democratic market economies.

OPIC has accomplished this mandate on a self-sustaining basis, with room to spare. OPIC now is in a strong position to face the continuing challenges wrought by the tragic events of September 11 and the economic uncertainties exacerbated by those events.

My key priority in refocusing OPIC is to strengthen the agency's consciousness of its developmental mission and to ensure that OPIC's products are complementary, not competitive, with the private sector. The challenge is not static. Not every investment in a developing country is developmental *per se*. The type of investment that is effective in one country may not provide the same balance of costs and benefits in another. What works in one phase



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of a country's economic development may not be as effective in other circumstances. I intend to strengthen OPIC's developmental mandate by examining critically each proposed investment in terms of its developmental impact, using the most

OPIC's policies on corporate social responsibility and its agreements with host governments can further reduce risk.

While some of the risks that OPIC faces can be identified readily as political or commercial in origin, other sources of risk may arise from unintended environmental and social impacts. With guidance from the U.S. Congress and successive administrations, OPIC has exercised leadership in finding ways to promote economic and social development, while at the same time protecting the environment, workers rights and human rights in developing countries. OPIC's leadership in this area has been recognized by other official and private lenders and insurers that have come to see the value of integrating environmental and social considerations into their lending and insurance policies. Now that the private markets have "gotten the message," many private companies are going beyond the requirements of law and are taking proactive measures to enhance their relationships with local communities.

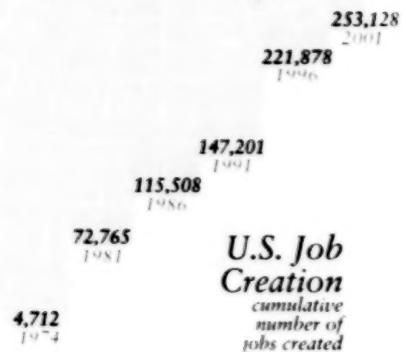
Exercising leadership in this area means that OPIC must strive to learn from the best practices of the

Outreach toward underserved regions



advanced methodologies and the benefit of OPIC's experience and portfolio. With that knowledge, we will refocus OPIC's outreach toward underserved regions like sub-Saharan Africa, as well as countries and sectors where the developmental benefits are likely to be the greatest.

I recognize that using our resources to support more developmental projects may pose some added risks. This means that OPIC continually must improve its understanding of and capacity to manage risk. Toward that end, I am strengthening the risk management function at OPIC by bringing in new staff resources and technology to better manage OPIC's exposure on both a portfolio and a project level. I also am exploring how



most progressive companies and to use those practices in its approach to issues of corporate social responsibility. The practice of corporate social responsibility is an integral part of risk management. As part of the reallocation of OPIC's staff resources, I have combined the risk management, environmental and labor rights, and economic analysis and project monitoring units into a new office headed by a vice president for investment policy. This office will have the same status as OPIC's product divisions.

OPIC recognizes that the private sector is in the best position to recognize and respond to business opportunities and risks in developing and

emerging markets. OPIC therefore needs to work in tandem with private business to leverage private sources of financing and insurance to the maximum extent possible, while functioning as the "market of last resort" for projects that private investors and insurers would not or could not support on their own.

To enhance OPIC's cooperation with the private market, I have taken steps to initiate a much greater level of cooperation between OPIC and the private insurance markets. OPIC needs to do things that the private market will not — such as offering greater tolerance for risky countries



or projects, longer tenor, or larger per project capacity.

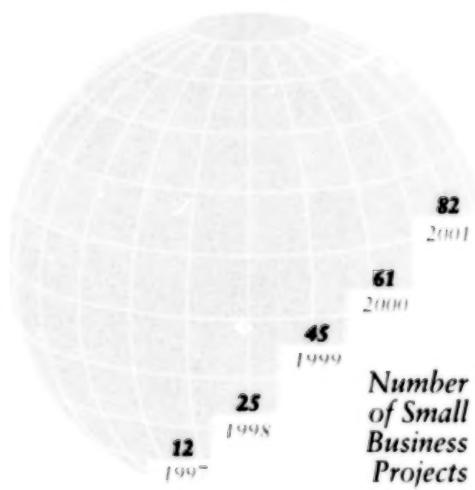
To show our good faith in demonstrating that we are not competing with the private market, we plan to initiate a program that will help to ensure that OPIC's involvement is necessary — *not a substitute for what already is available in the private market*. From now on, anyone applying for OPIC insurance will have to demonstrate that a valid attempt was made to place the coverage in the private market and that such coverage was either not available at all or not available at terms, conditions or rates that would allow the investment to proceed.

This new test of additionality will help to fulfill OPIC's responsibility to find avenues for cooperation with the private market. It will respond to OPIC's need to complement, not compete with, the private

sector. And it will provide an opportunity to refocus our activities to better reflect our mission by helping to mitigate risk and support investment in the emerging markets. In other words, everyone will win.

Both overseas development and U.S. economic growth increasingly are dependent on the vital role of the small and entrepreneurial business sector. Despite its small staff, OPIC has done remarkably well in reaching out to small and medium-sized enterprises (SMEs), which constitute a growing percentage of project participants. In addition, thousands of SMEs participate as suppliers to OPIC-supported projects. However, OPIC's location in our nation's capital does not leave it well positioned to support companies that are geographically remote from Washington and are at the smaller end of the SME spectrum. Therefore, one of my first actions at OPIC has been to create a structured arrangement with the U.S. Small Business Administration (SBA). This arrangement is designed to complement SBA's capacity to reach and support small business with OPIC's international expertise.

Finally, as both a government agency and a business, OPIC has an increasing obligation toward its stakeholders to operate in a fully transparent manner. New telecommunications



technologies, including but not limited to the Internet, have created greater expectations among the public for increased disclosure of all information, with the important exception of that which is vital to national security or business confidentiality. I am committed to enhancing the transparency of OPIC's reporting and disclosures, as should be evident in this annual report.



Peter S. Watson
President and CEO

OPIC has exercised leadership in finding ways to promote economic and social development, while at the same time protecting the environment, workers rights and human rights in developing countries.

Our work is
well aligned
with U.S.
economic,
foreign,
environmental
and labor
policies.



Streamlining the agency

OPIC has taken measures to make our work more transparent to the public and to make it easier for businesses to access resources and results. We responded to customer satisfaction surveys by making more information available electronically, including publications, press releases and application forms. Now, businesspeople can learn about OPIC products and services in a matter of minutes. And they can use the investor's gateway section of our Web site to link to other sources of information about the countries in which OPIC operates. Online training programs for small businesses supply customized information. Doing business with OPIC has never been easier.

www.opic.gov

A sharper agenda that matters more than ever

Know this about OPIC: No other American public or private organization invests in developing countries with the scope and focus that we do. We operate in more than 140 countries — financing economic development projects large and small and mitigating economic and political risks. And we operate at no net cost to American taxpayers. Over our 30-year history, OPIC has built up reserves of more than \$4 billion and has recovered or settled more than 94 percent of our insurance claims.

We make it possible for parched communities in Kenya to drill for potable water and meet a basic human need. We enable farmers in Guatemala to cultivate a new coffee plant, build a family-owned business, provide training and health care to workers, and transport children to school. In Central Europe, we pave the way for advanced medical diagnostic facilities and skilled jobs, while in Asia and Latin America, our support leads to affordable housing and the new beginnings it offers. We make it possible for emerging markets to develop the infrastructure of airports, utilities and telecommunications that will bring millions of people into the global economy. We accomplished this and much more in 2001.

OPIC plays an uncommon and indispensable leadership role in developing emerging markets, expanding global commerce and fostering democratic values worldwide. The unprecedented events of 2001 brought a fresh relevance to our work. People who have the economic and social opportunities that lead to prosperity are far less likely to become estranged from society or engage in violence than people without these opportunities. A strong defense against terrorism, then, is investing in the developing countries that may harbor terrorists and forging strong, positive bonds with those nations. For 30 years, this has been our core mission, and it matters more than ever in today's uncertain times.

In 2001, we sharpened our focus, renewing our commitment to economic development in places where it makes a profound difference to human welfare. We are well positioned to strengthen this impact in the future. Our work is well aligned with U.S. economic, foreign, environmental and labor policies. In short, OPIC is good for the world *and* good for America.

Economic opportunity can lift people out of poverty, improve their quality of life, and steer them toward productivity and prosperity.



Economic development in emerging markets around the world



Creating opportunities abroad

The essence of OPIC is mobilizing private investments in economic development, which creates opportunities for the underprivileged of the world. There are compelling political, economic and social reasons to make these investments.

For many, the concept of a "land of opportunity" is utterly unfathomable. Millions of people who share the planet with us live in poverty or economic uncertainty, with few prospects for improving their lot. The fruits of the global economy are beyond their reach — an increasingly untenable condition in a world with widening gaps between the haves in advanced nations and the have-nots in the Third World. The United States must find ways to help developing countries participate in the global economy — or risk contempt and unrest from their growing populations.

Americans know well that *business* is the engine of economic opportunity. Only free market forces can sustain a trajectory of genuine economic progress. Private enterprise creates jobs and fosters hard work, ingenuity and entrepreneurial spirit. OPIC brings this familiar formula for economic growth to developing countries through political risk insurance, investment guaranty and funds pro-

grams. OPIC itself makes no equity investments, and except for some projects involving U.S. small businesses, OPIC does not directly lend money for investment purposes. Rather, we create incentives for private investment by insuring or guaranteeing such investments in developing countries. Economic opportunity can lift people out of poverty, improve their quality of life, and steer them toward productivity and prosperity.

Leadership and landmark agreements

OPIC plays a leadership role in creating the economic and political conditions for economic development abroad. In 2001, for example, OPIC for the first time began offering financing to U.S. businesses investing in Mexico. This historic breakthrough was hailed on both sides of the border for its potential to strengthen America's second-largest trading partner. At the same time, SMEs in the United States now have access to OPIC financing for investment projects in Mexico.

To facilitate such projects, OPIC also agreed to cooperate with the largest development bank in Mexico and Latin America, Nacional Financiera (NAFIN). The principles of cooperation recognize the importance of sharing information about private investment opportunities;

sharing technical knowledge, particularly concerning risk mitigation and management; and encouraging joint ventures in developing economies. OPIC and NAFIN also recognize that all OPIC-supported investments must respect the environment, human rights and worker safety.



Also in 2001, OPIC reached an agreement with Yugoslavia permitting OPIC to support U.S. investment — an important first step that will lead to economic development projects. The agreement underscores OPIC's critical role in rebuilding countries ravaged by war or political upheaval. Already, OPIC is setting the stage for a similar role in Afghanistan, working in partnership with U.S. companies to participate in a post-Taliban economy, and is supporting investment in Pakistan.

Moreover, OPIC is working aggressively to mobilize private-sector investment. In 2001, we convened forums to outline investment oppor-

tunities in both Yugoslavia and Afghanistan for high-level government officials and senior business leaders. This unparalleled outreach is helping to chart the course for reconstruction and economic growth in these countries.

The value of U.S. involvement on the ground in emerging market economies cannot be overstated. Through highly developmental projects, countries reap benefits that go far beyond tangible dollars and cents or bricks and mortar. Equally important, people in these countries acquire new, marketable skills. They gain an understanding of business principles and practices by working collaboratively with American businesspeople and OPIC professionals. They are empowered to build productive businesses and thriving communities. Indeed, economic activity enables businesses to make socially responsible investments — in education, training, health facilities and child care, for example.

Magnifying positive results OPIC projects produce a ripple effect in local economies — and, in the best of circumstances, the U.S. and global economies as well. Expanding the number of routes serviced by Nevis Express Airport on the island nation of Saint Christopher and Nevis in the Caribbean, for example, should be a catalyst for economic growth. An increase in the availability of air

service will attract more tourists, which should result in eventual expansion of the airport. Contractors will procure supplies from local and U.S. businesses to build new facilities to accommodate growth.

OPIC's initial support, then, helps leverage more investments, commitments and growth. OPIC projects often bring important benefits to U.S. business as well — opening new markets, developing new trade partners and creating U.S. jobs. OPIC analyzes project proposals and conducts follow-up monitoring to ensure that the projects we invest in do not displace U.S. jobs.

OPIC paves the way for U.S. businesses to operate in emerging nations. By nature, there are risks and challenges to investing abroad, particularly in developing countries. American companies are taking a chance in unknown territories with often unpredictable political climates that can determine whether any business undertaking will work. The potential for losses from currency controls, seizure of assets, political unrest or other unpredictable events remains. Not surprisingly, U.S. investors and insurance companies view these risks and challenges with trepidation. That's why OPIC is the lender and insurer of last resort — we will not compete with private-sector investment or risk mitigation providers when we help fill this need.

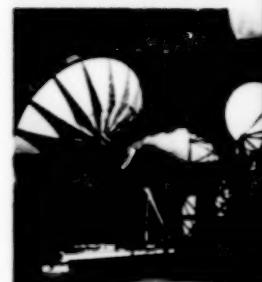
Often, doing business in developing countries takes special knowledge and expertise that potential investors do not have. OPIC can be instrumental in bridging the gap between U.S. businesses and host-country governments. Many companies simply could not afford to undertake the challenges of investing in developing countries without this critical support from OPIC.

Making a difference
Project highlights in economic development

In Africa, OPIC committed a \$227.5 million loan guaranty to the new Africa Millennium Fund, a private equity fund that will enable U.S. companies and others to invest in sorely

needed infrastructure projects in sub-Saharan Africa. OPIC selected Africa Millennium Managers, a consortium of private investment firms, to manage the fund and raise \$122.5 million in equity to meet our goal of \$350 million in capital. This fund replaces the New Africa Infrastructure Fund, which was approved in 1999 but never consummated.

The fund, mandated by the Africa Growth and Opportunity Act of 2000, demonstrates deep U.S. commitment to strengthening trade and investment, increasing prosperity, and combating poverty in Africa. The





Africa Millennium Fund will target sectors such as telecommunications, transportation, electricity, water and sanitation — the essential foundations for economic growth.



Also in Africa, OPIC provided political risk insurance to privatized flour mills in Lesotho and Mozambique. Seaboard Overseas Limited — a subsidiary of Seaboard Corporation, an agribusiness and ocean transportation company headquartered in Shawnee Mission, Kansas — has been taking advantage of opportunities to privatize formerly state-run facilities in Africa. Over the years, OPIC has supported Seaboard with insurance coverage in several African locations.



With this insurance in place, Seaboard has been able to join with African business partners to modernize and provide working capital for

Investing strategically

the flour mills. The company also trains local workers to operate new equipment safely and manage the plants in an environmentally responsible manner. Expanded production of wheat and maize flour and manufactured animal feed in Lesotho, Mozambique and Zambia has increased the availability of basic food products in local markets.

In Latin America, OPIC continued its critical role in fulfilling the dream of home ownership, which enhances sustainable growth and long-term stability in emerging economies. However, interest rates vary widely throughout Latin America, the mortgage market is unpredictable and loans sometimes are not easily available. Without affordable and accessible mortgages, home ownership is impossible for the vast majority of people in the developing world.

OPIC is helping to improve this situation by bringing U.S. capital and experience to bear on mortgage markets in Latin America. OPIC's support gives Latin American banks an incentive to offer construction loans. OPIC support for mortgage lending will increase home ownership in the developing world — and this will create an untapped and potentially attractive market for U.S. investors and the U.S. homebuilding industry.

Specific OPIC projects in 2001 include:

- \$22.5 million for residential housing and mortgages in the Dominican Republic. The OPIC loan will add mortgage loan origination capacity to this small market.
- \$2.5 million for microcredit loans to low-income homeowners in Mexico for home improvements. The North American Free Trade Agreement (NAFTA) presents tremendous opportunity for fueling

economic growth on the border with Mexico; with increasing employment, housing is necessary for those workers. CHF, through Fundacion Habitat y Vivienda A.C., continues to address the current situation of substandard housing for Mexican workers.

Also in Latin America, OPIC invested strategically in bringing adequate power to developing nations. Affordable, reliable sources of energy and telecommunications services are prerequisites for economic growth. Specific projects include:

- \$190 million in insurance to Bank of America, N.A., as trustee for a syndicated loan to a gas pipeline expansion in Argentina.
- \$85 million in inconvertibility insurance and a Foreign Exchange Liquidity Facility Guaranty, which allowed a subsidiary of The AES Corporation of Arlington, Virginia, to refinance the high-cost midterm debt that it used to acquire a privatized hydroelectric generation business in Sao Paulo, Brazil.
- \$50 million in insurance to BankBoston, N.A., to support more reliable Internet services, including Web hosting and dial-up access services, in Brazil. BankBoston, N.A., is the corporate name under which Fleet National Bank, FleetBoston Financial's principal banking subsidiary, operates in Latin America.

In Europe and Central Asia, OPIC's New Century Capital Partners, L.P., invested in several regional telecommunications companies in Russia to assist with their ongoing privatization. The fund's investment will help to capitalize these companies, enabling them to upgrade the communications infrastructure throughout Russia. The fund made a similar investment in Lithuanian Telecom, with the same developmental benefit anticipated.

OPIC also provided \$15 million in insurance to a group of Armenian-Americans to privatize the Marriott Hotel Armenia, a historic hotel in the Caucasus region. OPIC has supported similar hotel projects, such as restoring the Ritz-Carlton Istanbul and the Hotel Tbilisi Marriott in Georgia, a hotel built in the early 20th century and destroyed during the Georgian civil war of the 1990s. The Tbilisi privatization project will provide the first Western-owned and -operated five-star accommodations for business travelers interested in investing in Georgia — and it will expand the country's capacity to accommodate tourists.

"We welcome OPIC's participation in fostering joint ventures between Mexican and U.S. companies. This will allow Mexico and the United States to deepen an already thriving economic relationship [and] creat[e] new jobs for more Mexicans."

— President Vicente Fox
Quesada of Mexico

OPIC staff
members
and U.S.
businesspeople
effectively serve
as ambassadors
for American
business
practices,
putting a
human face on
capitalism and
democracy.

Good corporate citizenship
and host-country governance

Putting America's best face forward

Done well and done right, economic development projects in developing nations showcase American leadership and stewardship in the world. Done badly, otherwise beneficial projects actually can hinder development. For this reason, OPIC strongly encourages all project participants in the United States and abroad to follow best industry practices. We back up our words with actions.

With OPIC as a partner, U.S. companies, host-country firms and government officials conduct business with scrupulous attention to international standards that protect the environment, human rights and labor rights. We maintain a highly qualified staff of professionals who conduct due diligence work on these issues before projects are approved. In their work abroad, OPIC staff members and U.S. businesspeople effectively serve as ambassadors for American business practices, putting a human face on capitalism and democracy.

In Panama, for example, OPIC provided insurance coverage to the El Paso Energy Corporation for a hydroelectric power plant acquired through privatization, which provides affordable and reliable electricity to local residents. Given the sensitivity of the project's location — within a tropical forest reserve — OPIC, prior to issuing coverage, conducted an in-depth

evaluation of the environmental impacts of the project on the area, including an environmental audit of the power plant's operations and a safety evaluation of the dam. To ensure that the biodiversity of the area was protected, the sponsors agreed to take corrective actions to bring the facility up to international standards for environmental protection.

Public advocacy, successful results

When necessary, OPIC acts as a public advocate, stepping in to encourage good corporate citizenship and good host-country governance. OPIC has extensive experience in resolving disputes that may arise in its projects.

In 2001, for example, OPIC successfully negotiated with the government of the Philippines to encourage a government-chartered corporation to fulfill its obligations concerning a project sponsored by Bechtel Enterprises. The Filipino corporation had failed to adhere to its agreement on the rate structure for water and sewerage rates and had declined to honor an international arbitration award requiring it to do so. OPIC communicated its concerns to the Philippine ministry of finance, and the problem ultimately was resolved to the satisfaction of all parties.

OPIC also maintains an extensive monitoring program, conducting site



visits for projects all over the world. Through these visits, we monitor progress over the long term, noting whether companies and host countries are following the letter and the spirit of their agreements with OPIC.

Making a difference

Project highlights demonstrating good corporate citizenship and host-country governance

SMEs. In recommending this course of action, OPIC underscored the increased investment that could result, particularly as Uzbekistan moves to privatize large parts of its economy.

OPIC, which has provided over \$200 million in insurance to projects in Uzbekistan over the past few years, signed a bilateral investment agreement with the emerging nation in 1992. OPIC is a joint-venture partner with the U.S. Trade and Development Agency and the Export-Import Bank of the United States at the Caspian Finance Center, a regional office based in Ankara, Turkey, that is

responsible for the Caucasus and Central Asia, including Uzbekistan.

Also this year, OPIC's Global Environment Emerging Markets Fund, II, is involved in significant development activities. An investment commitment to a Southeast Asian entity, for example, provided the capital to upgrade and expand the only nonhazardous waste disposal facility in Indonesia and to develop a new industrial waste disposal facility in Thailand — the only environmentally compliant one in the country.

Several smaller projects exemplify the spirit of good corporate citizenship and host-country governance as well, including:

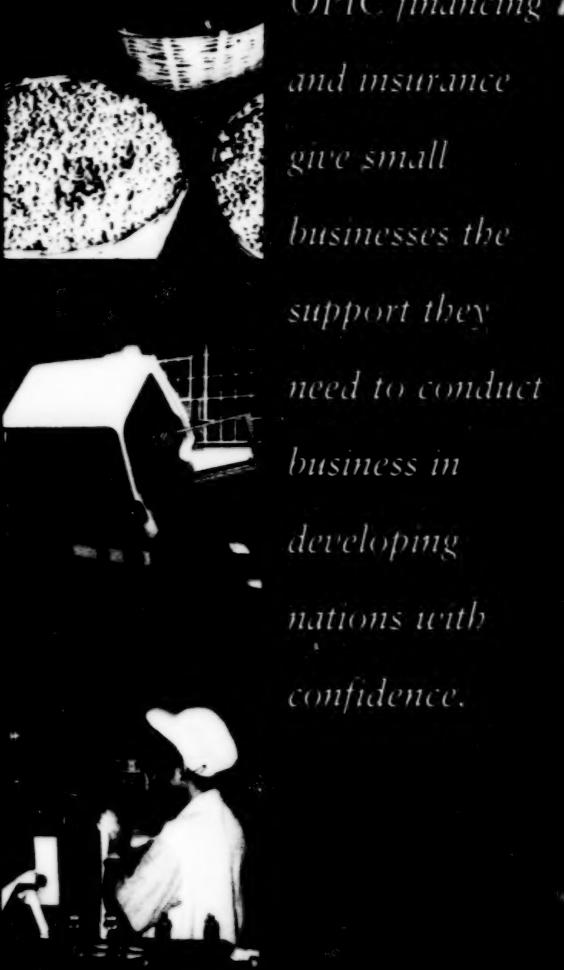
- A \$300,000 OPIC loan for a pilot program to market solar ovens in Uganda — and train women to use them. The Global Sun Oven®, manufactured by Sun Ovens International of Elburn, Illinois, is an alternate, environmentally friendly cooking technology for families who normally rely on scarce wood or expensive oil as their fuel sources. An organization for rural women, founded by First Lady of Uganda Janet Museveni, will promote use of the solar ovens. Transferring this technology to a developing nation addresses the rapidly expanding problems of deforestation and population growth with solar approaches to everyday living.
- A \$300,000 OPIC loan for improving production at a family-owned

coffee farm in Guatemala. The Oriflama Coffee Farm will expand existing coffee production and switch to a new, improved variety of high-quality arabica coffee, a move expected to increase revenues by 20 percent and create 133 jobs in the local economy within five years. The business is environmentally friendly, using an innovative recycling and conservation process for water used in growing and cleaning the coffee and the parchment used to dry it. It also uses cultivation techniques that support habitats for resident and migratory birds, amphibians, and other wildlife. The business treats workers and their families with dignity, providing training and supporting medical services for workers and making sure they are registered for Guatemalan social security. The business also has provided transportation to school for children. Oriflama is a model farm that received international recognition for its excellent coffee in the 2001 Cup of Excellence competition.

- A \$200,000 OPIC loan for drilling of potable water wells in Kenya. A serious shortage of drinking water in Kenya makes drilling equipment from Living Water International (LWI) a vital component of basic survival. OPIC's loan to LWI will enable LWI's affiliate, Living Water Kenya, to drill an additional 20 water wells per year. In the past decade, Living Water has drilled 125 water wells in Kenya for a fee, and such fees are the primary source of repayment of OPIC's loan. Local citizens are trained to maintain the wells, pumps and storage tanks — and they learn about basic hygiene and food preparation to prevent contamination of the wells. Water committees, generally made up of women, are encouraged to sell the water for about a penny a gallon to raise funds for maintenance and to give people a sense of ownership of the wells.

"The comfort that comes from this insurance induces many American exporters, small or large, to bid on projects they would otherwise avoid . . . OPIC's prestige goes a long way in ensuring that foreign governments treat American exporters fairly."

— Peter A. Bowe,
president,
Ellicott International,
a small business in
Baltimore, Maryland



*OPIC financing
and insurance
give small
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support they
need to conduct
business in
developing
nations with
confidence.*

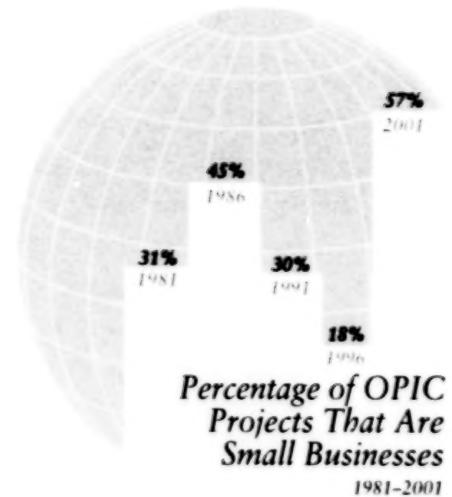


Benefits to U.S. small business

Fostering entrepreneurial success at home

By design, OPIC's most significant results rest beyond U.S. borders. Significantly, however, OPIC projects also contribute to the success of U.S. companies — particularly SMEs. A growing percentage of our project portfolio involves U.S. companies with annual revenues of less than \$250 million. In 2001, 57 percent of our new projects were small business projects.

We make it possible for small and medium-sized firms to break into foreign markets. This is important in the global economy, with companies increasingly relying on foreign markets to grow their businesses. A fiercely competitive business environment requires even small companies to gain new footholds in international markets to survive.



The many barriers and risks to doing business in developing nations can seem insurmountable for small businesses, which often do not have the resources or expertise to explore ventures in unknown lands. The political, economic and cultural laws and practices may be profoundly different in countries without the traditions and

An OPIC loan in 2000 to a Fort Worth, Texas, company paid off with a top industry award for the firm in 2001.

Long-term results

historical information, precious documents, works of art and more at the fingertips of students, teachers, historians, artists and others interested in this treasure trove of resources.

OPIC supported this multiyear venture, which included a PBS documentary film, *The Red Files, Secrets of the Russian Archive*. The film won the 2000 International Documentary Association Award for a limited series, which was screened at the Director's Guild of America in Los Angeles, California, after the awards ceremony last October.



systems that exist in more established economies. And, unlike large corporations, small companies will find it more difficult to meet any unexpected challenges brought on by the uncertainty of the political climate.

OPIC financing and insurance give small businesses the support they need to conduct business in developing nations with confidence. In 2001, OPIC took this message to minority-owned businesses in Washington, DC, in a forum that encouraged overseas investments and introduced OPIC's services.

Making a difference *Project highlights for small business*

DVI, Inc., of Jamison, Pennsylvania, specializes in leasing and installing state-of-the-art diagnostic medical equipment — such as magnetic resonance imaging (MRI scans), computerized tomography (CT scans), ultrasound, radiation and gamma knife equipment — in hospitals, clinics and other specialized patient centers. With private sector funding unavailable, OPIC's loan helps DVI meet its corporate strategy of responding to growing international markets.

An OPIC loan to DVI, Inc., of Jamison, Pennsylvania, will bring more sophisticated medical care to people in Central and Eastern Europe and Turkey. DVI

At the same time, OPIC financing fills a need in developing countries, where financing for high-tech medical equipment is inadequate or nonexistent. Doctors and technicians will receive professional training to use the equipment, which is expected to result in better preventive health care, lower medical costs and fewer procedures for patients.

Moreover, the project furthers OPIC's pivotal role in mobilizing private investment and implementing U.S. foreign policy in the region. The Southeast Europe Initiative seeks to achieve a peaceful and stable region by promoting investment, trade and economic growth. Already, OPIC has established an office in the region and a \$150 million Southeast Europe Equity Fund, which invests in Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Macedonia, Romania, Slovenia, Montenegro, and Turkey. In 2001, this fund made its first commitment — \$20 million for the privatization of the largest telecommunications provider in Macedonia.

Elsewhere, OPIC provided \$1.5 million in political risk insurance to a small U.S. company providing life and health insurance to previously uninsured local companies and individuals in Venezuela. BMI Venezuela, a subsidiary of BMI Financial Group, Inc., of Coral Gables, Florida, is using political risk insurance to cover its investment. In addition, the OPIC

insurance is enabling another subsidiary, BMI Services, Inc., to provide training to BMI Venezuela employees in cost management techniques, systems expertise and health coverage enhancement programs. This OPIC project continues a trend of foreign investment that has turned around the insurance industry in Venezuela, which experienced a crisis caused by severe problems in the banking industry in 1994.

Dexter Safety & Industrial Products, Inc., in Brownsville, Texas, meanwhile, will use a \$100,000

OPIC loan to distribute safety equipment to companies in Mexico. Its gloves, protective garments, uniforms, respirators, facemasks and eyeglasses will protect industrial workers and enable companies to comply with health and safety standards.

Solar Electric Light Company, Inc., of Chevy Chase, Maryland, will provide solar electric systems for homes and businesses in Sri Lanka with a \$100,000 OPIC loan. The small power systems provide electricity to people who otherwise would have none.

The civil war in Rwanda in the early 1990s devastated the country. After the war, an OPIC-supported tea factory was well positioned to make a comeback. This factory was one of the first to resume production, paying taxes to the country and providing the only source of cash income to

some 35,000 people. The project supports 3,500 independent tea growers and employs 200 permanent staff and 1,000 seasonal workers.

Joseph H. Wertheim, president of Tea Importers, Inc., a small business in Westport, Connecticut, credits OPIC with enabling his company to make investments in tea plantations in Rwanda and Ecuador. During the Rwandan civil war, the company's tea processing factory was shelled and looted, but OPIC's payment of political violence claims for losses of nearly \$250,000 enabled the company to stay and rebuild.

As a result, Rwanda continues to benefit from the economic contribution made by the Tea Importers project, and the Tea Importers company continues to benefit from the improving situation in Rwanda. In the post-civil war period, schools have been built, health care is provided, housing is improved and, according to a World Bank study, the farmers in the area have a better income per acre of land than in other parts of the country.

Long-term results



Acting as the

*steadyng
anchor, OPIC
can attract
private-sector
partners willing
to share the
risk and
potential
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investing in
fledgling
economies.*



Partnerships with
the private sector

Leveraging investments and results



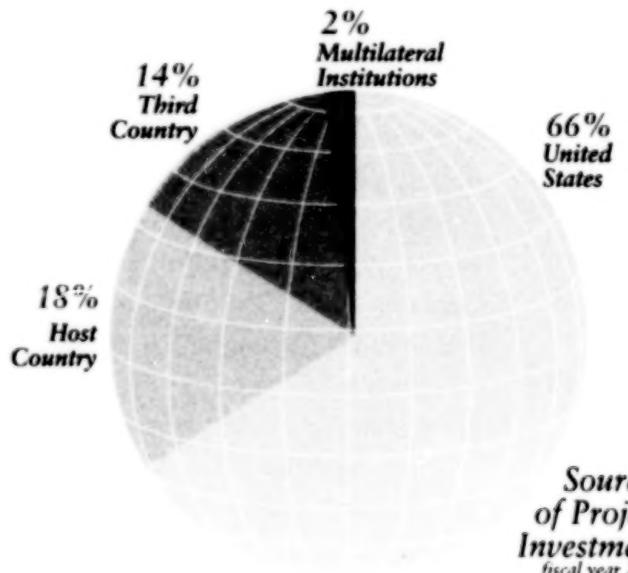
OPIC's willingness and ability to support high-risk investments enable us to mobilize private-sector

financing that would not otherwise be available. Our history and performance in highly developmental projects inspire confidence from private-sector partners in the United States, in host countries and throughout the world. Acting as the steady anchor, OPIC can attract private-sector partners willing to share the risk and potential rewards of investing in fledgling economies.

In 2001, OPIC committed to redoubling its efforts on this front. There is strength in numbers. We are actively seeking partnerships with businesses and organizations that can increase U.S. investments in developing nations. To that end, we forged an important partnership in 2001 with the Inter-American Agency for Cooperation and Development (IACD). Together, OPIC and IACD are promoting private-sector investment and participation in social and economic development projects in Latin America and the Caribbean. Already, countries in this region represent the biggest portion of OPIC's portfolio. This pioneering agreement has the potential to leverage more

investment and launch more projects in our hemisphere.

An example of a project using public-private partnerships is the privatization and expansion of the wireless telecommunications sector in Brazil. In fiscal year 2000, OPIC provided \$200 million of insurance coverage to BCP, S.A., one of the largest wireless operators in Latin America, whose major shareholders are the BellSouth Corporation of Atlanta, Georgia, and the Safra Group of Brazil. In 1999, tenors for bank loans in Brazil were limited to one to two years, and the total amount of financing available was severely constrained. A consortium of public and private insurers, which consisted of OPIC, the Multilateral





Investment Guarantee Agency (MIGA), American International Group (AIG) and the Export Development Corporation (EDC), provided more than \$800 million in political risk insurance. This enabled BCP to raise the necessary long-term capital through a syndicate of private banks to meet its financing needs.

Making a difference
Project highlights with private-sector partnerships

In Latin America, a \$106 million OPIC loan will support the privatization, rehabilitation and expansion of the Jorge Chavez International Airport in Lima, Peru. The airport is the largest and most active in the nation, accounting for virtually all of the international air traffic and cargo and one-third of the domestic passengers.

Alterra Partners Ltd., an affiliate of Bechtel Enterprises, Inc., of San Francisco, California, is working in partnership with Frankfurt Airport in Germany and COSAPI, a Peruvian construction company, to implement the project. The project will generate \$65 million in annual revenue for the Peruvian government and 70 permanent local jobs. In addition, it will generate a positive net impact on the U.S. balance of payments of \$64.2

million — and help leverage additional investment for the airport and Peru.

In this project, OPIC is supporting the growth of the physical infrastructure necessary for the economic development of our partners in emerging markets. Promoting transportation not only assists the development of Peru, but also sends a strong message of confidence in the long-term investment climate to U.S. investors.

In Asia, OPIC launched a joint trade and finance initiative with the Export-Import (Ex-Im) Bank of the United States and the U.S. Trade and Development Agency (TDA) to support U.S. investments in and exports to Indonesia.

The three agencies will provide financing to promote trade and investment opportunities in Indonesia. Ex-Im Bank will provide financing to support U.S. exports of goods and services in the oil and gas sector. OPIC will provide loans, guaranties and insurance for projects in the oil and gas sector, and TDA funds will be used to identify and develop projects in various industry sectors for Ex-Im Bank and OPIC loans and guaranties.

2001 investment projects*

COMPANY	PROJECT DESCRIPTION	SUPPORT AMOUNT	TYPE
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Africa and the Middle East

Cote d'Ivoire

Mondoil Enterprises LLC
 (Foxtrot International LDC) Oil and gas field exploration,
 development and production \$25,000,000 Insurance

Kenya

Living Water International
 (Living Water International) Drilling potable water wells \$200,000 Finance

Nigeria

Atlanta Global Resources, Inc.
 (Atlanta Global Resources Nigeria Limited) Import and marketing of cement \$4,770,000 Insurance

Uganda

Tucson Transatlantic Trade, Inc.
 (Tucson Transatlantic Trade, Inc.) Assembly and sale of solar ovens \$300,000 Finance

Zambia

Quarry Investment Partners, LLC
 (Best Value Zambia, Limited) Agribusiness \$1,512,000 Insurance

The Americas

Argentina

Bank of America, N.A.
 (Transportadora se Gas del Sur, S.A.) Gas pipeline expansion \$190,000,000 Insurance

Citibank, N.A.

(Banco Rio de la Plata, S.A.) Mortgage lending \$50,000,000 Insurance

Eligible U.S. Investors

(BACS II Mortgage Trust, Series 2001-02) Mortgage-backed bond issuance \$60,000,000 Finance

Tishman Speyer/Travelers

Real Estate Venture III, LLC
 (Tishman Speyer/Travelers
 and Austral Financial) Office and retail complex \$40,950,000 Finance

Bolivia

Accion International
 (Banco Solidario, S.A.) Financing of microloans \$1,000,000 Finance

Brazil

The AES Corporation
 (Companhia de Geração de
 Energia Electrica Tietê) Hydroelectric power \$85,000,000 Insurance
 \$50,000,000 Finance

BankBoston, N.A.

(BankBoston, N.A. Sao Paulo Branch) Internet service \$50,000,000 Insurance

*The status of the projects listed here may change in the future.

COMPANY	PROJECT DESCRIPTION	SUPPORT AMOUNT	SUPPORT TYPE
Citibank, N.A. (Tele Norte Celular Participacoes S.A.)	Upgrade and expansion of cellular service	\$49,000,000	Insurance
El Paso Energy Corporation (UEG Araucária Ltda.)	Combined gas-fired power plant	\$36,000,000 \$100,000,000	Insurance Finance
Enron Corp. (Sociedade Fluminense de Energia Ltda.)	Simple-cycle gas-fired power plant	\$190,000,000	Finance
Marriott International, Inc. (Renaissance do Brazil Hotelaria Ltda.)	Business/tourist hotel	\$45,439,200	Insurance
Signs Now Corporation (Franchisor) (NH Serviços de Sinalização Ltda.)	Franchise sign printer	\$1,055,000	Finance
Colombia			
Chase Manhattan Bank (Celummovil S.A.)	Cellular telecommunications expansion and refinancing	\$99,500,000	Insurance
Kimberly-Clark Corporation (Colombiana Kimberly Colpapel S.A.)	Disposable tissue products	\$10,000,000	Insurance
Costa Rica			
Colite Outdoor, LLC (Colite Costa Rica, S.A.)	Billboard advertising	\$500,000	Insurance
Dominican Republic			
Fort Point Real Estate Company (World Mortgage)	Residential housing/mortgages	\$22,500,000	Finance
El Salvador			
Colite Outdoor, LLC (Colite El salvador, S.A.)	Billboard advertising	\$1,080,000	Insurance
Guatemala			
Walter Randolph Adams, et al. (Flama de Oro, S.A.)	Production/introduction of new coffee variety	\$300,000	Finance
Mexico			
Accion International (Financiera Compartamos S.A. de C.V., Sociedad Financiera de Objeto Limitado)	Financing of microloans	\$1,000,000	Finance
Agroenlinea.com, Inc. (Agroenlinea.com S.A. de C.V.)	Online agricultural commodity exchange	\$1,200,000	Finance
Cooperative Housing Foundation (Cooperative Housing Foundation)	Microcredit loans to individual homeowners for home improvements	\$2,500,000	Finance
Dexter Safety and Industrial Products, Inc. (Dexter Safety and Industrial Products, Inc.)	Industrial protection products	\$100,000	Finance
Panama			
El Paso Energy Corporation (Empresa de Generacion Electrica Fortuna, S.A.)	Hydroelectric power project privatization	\$24,300,000	Insurance

COMPANY	PROJECT DESCRIPTION	SUPPORT AMOUNT	SUPPORT TYPE
Peru			
Bechtel Enterprises Inc. (Alterra Partners Ltd.) (Lima Airport Partners S.R.L.)	Airport privatization	\$106,000,000	Finance
Kimberly-Clark Corporation (Kimberly-Clark Peru S.A.)	Expansion of diaper manufacturing facility	\$2,430,000	Insurance
St. Christopher-Nevis			
Allen Haddadi (Daystar Airways Ltd. [DBA Nevis Express])	Airline expansion, construction of airport hangar facilities	\$735,000	Finance
Venezuela			
BMI Financial Group, Inc. (BMI Compania de Seguros de Venezuela, C.A.)	Life and health insurance	\$1,380,000	Insurance
The Williams Companies, Inc. (Wilpro Energy Services [Pigap II] Ltd.)	Gas compression facility	\$140,000,000	Finance
Asia and the Pacific			
Sri Lanka			
Solar Electric Light Company, Inc. (Solar Electric Light Company)	Solar energy home system	\$100,000	Finance
Europe and the New Independent States			
Armenia			
Marriott International, Inc. (Armenia Hotel Complex)	Business/tourist hotel	\$15,344,171	Insurance
Europe Regional			
DVI, Inc. (DVI-Poland)	Diagnostic medical equipment leasing and financing operation	\$28,000,000	Finance
Russia			
API Glass Partners L.P. (Russian American Glass Company)	Glass bottle manufacturing expansion	\$29,500,000	Finance
Global			
Great Circle Capital, LLC (The Great Circle Fund L.P.)	Private equity investment fund — maritime industry	\$130,000,000	Funds

2001 investment funds' projects

OPIC-supported, privately managed, private equity investment funds provide long-term growth capital, management expertise and new technologies while supporting adoption of international standards of reporting, transparency, and environmental and workers rights sensitivity. They promote private-sector enhancement fundamental to the development of emerging market economies. OPIC's funds operate in every region of the world. Current OPIC funds include:*

Africa Millennium Fund
Agribusiness Partners International
AIG Brunswick Millennium Fund
Allied Small Business Fund
Aqua International Partners
Asia Development Partners, L.P.
Asia Pacific Growth Fund
Bancroft Eastern Europe Fund
Caucasus Fund
Draper International India
Emerging Europe Fund
Global Environment Emerging Markets Fund
Global Environment Emerging Markets Fund, II
Great Circle Fund
India Private Equity Fund
InterArab Investment Fund
Israel Growth Fund

Modern Africa Growth and Investment Fund
New Century Capital Partners, L.P.
Newbridge Andean Partners, L.P.
Poland Partners, L.P.
Russia Partners
South America Private Equity Growth Fund
Southeast Europe Equity Fund
West Bank/Gaza & Jordan Fund
ZM Africa Investment Fund

*This list does not include two OPIC funds that have completed operations.

In 2001, OPIC-supported funds invested \$251 million in 124 projects worldwide, with an average investment of more than \$2 million per project. Highlights from these projects are:*

PORTFOLIO COMPANY	COUNTRY	DESCRIPTION
Africa and the Middle East		
Songhai Financial Holdings	Ghana	Investment banking and brokerage
Bayt.com, Inc.	Jordan	Internet portal
Flamingo Holdings Ltd.	Kenya	Horticultural company
Africa Broadcast Network	South Africa	Media/communications
South Africa Plywood (Pty) Ltd.	South Africa	Wood products
The Americas		
America Latina Logistica	Brazil	Railroad transportation
International Hospital Corporation N.V.	Brazil	Healthcare services
Modulo Security Solutions	Brazil	Information retrieval services
Sanepar PN	Brazil	Water and utility
Newbridge Telebright Investors	Chile	Computer
Renewable Resources Holding Co. of Chile	Chile	Power generation/ natural resources
Asia and the Pacific		
Niko Resources Ltd	India	Natural gas
Verdaine	Indonesia	Palm oil plantation
First Pacific Company Limited	Philippines, Thailand and Indonesia	Consumer goods
Modern Asia Environmental Holdings, Inc.	Southeast Asia	Waste management
Metering Technology Corporation	Thailand	Utility meters and counters
Europe and the New Independent States		
Kabelovna Decin-Podmokly, a.s.	Czech Republic	Cable wire producer
Euromedic International, N.V.	Eastern Europe	Healthcare services
Lithuanian Telecom	Lithuania	Telecommunications
Makedonski Telekomunikacil AD	Macedonia	Telecommunications
MobiFon, S.A.	Romania	Wireless communication
Telerus	Russia	Telecommunications

*This is a sampling of projects in which OPIC-supported investment funds were invested during fiscal year 2001.

OPIC countries and areas



OPIC programs encourage U.S. private investment in some 140 countries and areas around the world, contributing to economic growth at home and abroad.

OPIC programs generally are available in the approximately 140 countries and areas listed below. From time to time, statutory and policy constraints may limit the availability of OPIC programs in certain countries, or countries where programs previously were unavailable may become eligible. Investors are urged to contact OPIC directly for up-to-date information on the availability of OPIC services in specific countries, as well as information on program availability in countries not listed.

Africa and the Middle East	São Tomé and Príncipe	Panama	Europe and the New Independent States
Algeria	Senegal	Paraguay	Albania
Angola	Sierra Leone	Peru	Armenia
Bahrain	Somalia	St. Kitts and Nevis	Azerbaijan
Benin	South Africa	St. Lucia	Bosnia and Herzegovina
Botswana	Swaziland	St. Vincent and The Grenadines	Bulgaria
Burkina Faso	Tanzania	Suriname	Croatia
Cameroon	Togo	Trinidad and Tobago	Cyprus
Cape Verde	Tunisia	Turks and Caicos	Czech Republic
Central African Republic	Uganda	Uruguay	Estonia
Chad	West Bank and Gaza	Venezuela	Georgia
Congo	Yemen	Asia and the Pacific	Greece
Congo, Democratic Republic of	Zambia	Afghanistan	Hungary
Djibouti	Zimbabwe	Bangladesh	Ireland
Egypt	The Americas	Cambodia	Kazakhstan
Equatorial Guinea	Anguilla	Cook Islands	Kyrgyzstan
Eritrea	Antigua and Barbuda	Fiji	Latvia
Ethiopia	Argentina	India	Lithuania
Gabon	Aruba	Indonesia	Macedonia, Former Yugoslav Republic of
Ghana	Bahamas	Kiribati	Malta
Guinea	Barbados	Korea	Moldova
Israel	Belize	Laos	Montenegro
Jordan	Bolivia	Malaysia	Northern Ireland
Kenya	Brazil	Marshall Islands	Poland
Kuwait	Chile	Micronesia, Federated States of	Portugal
Lebanon	Colombia	Mongolia	Romania
Lesotho	Costa Rica	Nepal	Russia
Madagascar	Dominica	Pakistan	Slovakia
Malawi	Dominican Republic	Papua New Guinea	Slovenia
Mali	Ecuador	Philippines	Tajikistan
Mauritania	El Salvador	Singapore	Turkey
Mauritius	French Guiana	Sri Lanka	Turkmenistan
Morocco	Grenada	Taiwan	Ukraine
Mozambique	Guatemala	Thailand	Uzbekistan
Namibia	Guyana	Tonga	Yugoslavia, Federal Republic of
Niger	Haiti	Vietnam	
Nigeria	Honduras	Western Samoa	
Oman	Jamaica		
Rwanda	Mexico*		
	Netherlands Antilles		
	Nicaragua		

*In Mexico, OPIC's programs are limited to direct loans to projects that significantly involve U.S. small businesses or cooperatives.



2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report on Financial Statements

To the Board of Directors
Overseas Private Investment Corporation

We have audited the accompanying balance sheets of the Overseas Private Investment Corporation (OPIC) as of September 30, 2001 and the related statements of income, capital and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of OPIC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of and for the year ended September 30, 2000 were audited by other auditors who issued an unqualified opinion thereon dated December 6, 2000.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OPIC at September 30, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 19, 2001 on our consideration of OPIC's internal control over financial reporting and its compliance with laws and regulations. Those reports are an integral part of an audit conducted in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

December 19, 2001



KPMG LLP KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.

Balance sheets

OVERSEAS PRIVATE INVESTMENT CORPORATION At September 30 (\$ in thousands)

	2001	2000
ASSETS		
Fund Balance with U.S. Treasury (Notes 2 and 4)	\$ 678,570	\$ 594,544
U.S. Treasury securities, at amortized cost plus related receivables (Notes 2 and 7)	3,524,168	3,302,888
Direct loans outstanding of \$74,385 and \$52,987 less allowance for uncollectible loans of \$9,085 and \$9,202 in FY 2001 and FY 2000 (Notes 2 and 10)	65,300	43,785
Accounts receivable resulting from investment guaranties of \$69,808 and \$57,366 less allowance for doubtful recoveries of \$29,576 and \$26,935 in FY 2001 and FY 2000 (Notes 2 and 11)	40,232	30,431
Assets acquired in insurance claims settlements of \$239,776 and \$246,014 less allowance for doubtful recoveries of \$97,690 and \$102,284 in FY 2001 and FY 2000 (Notes 2 and 11)	142,086	143,730
Accrued interest and fees	19,176	15,073
Accounts receivable	61	122
Furniture, equipment and leasehold improvements at cost less accumulated depreciation and amortization of \$10,201 in FY 2001 and \$8,257 in FY 2000 (Notes 2, 14 and 19)	8,273	10,516
TOTAL ASSETS	\$4,477,866	\$4,141,089
LIABILITIES, CAPITAL AND RETAINED EARNINGS		
Liabilities:		
Reserve for political risk insurance (Note 2)	\$ 260,000	\$ 220,000
Reserve for investment guaranties (Note 2)	550,000	460,000
Accounts payable and accrued expenses	8,475	8,916
Customer deposits and deferred income	35,717	35,447
Borrowings from U.S. Treasury (Note 6)	57,763	62,926
Unearned premiums	18,565	20,390
Deferred rent and rent incentives from lessor of \$20,486 and \$20,525 net of accumulated amortization of \$9,618 and \$8,324 in FY 2001 and FY 2000 (Note 14)	10,868	12,201
Contingent liabilities (Notes 9, 10, 17 and 18)	941,388	819,880
Capital and retained earnings:		
Contributed capital	50,000	50,000
Credit funding (Note 5)	79,896	96,308
Interagency transfers	1,147	1,085
Retained earnings statutorily reserved:		
Insurance (Notes 9 and 12)	1,846,826	1,883,973
Guaranty (Notes 10 and 12)	1,558,609	1,289,843
	3,536,478	3,321,209
TOTAL LIABILITIES, CAPITAL AND RETAINED EARNINGS	\$4,477,866	\$4,141,089

See accompanying notes to the financial statements.

Statements of income

OVERSEAS PRIVATE INVESTMENT CORPORATION

For the years ended September 30 (\$ in thousands)

	2001	2000
REVENUES		
Political risk insurance (Note 9)	\$ 66,577	\$ 84,385
Investment financing	93,501	87,850
Other operating income	30,958	25,287
Interest on U.S. Treasury securities	227,557	212,103
	418,593	409,625
EXPENSES		
Provisions for reserves:		
Political risk insurance (Note 2)	43,848	102,968
Investment financing (Notes 2 and 10)	103,411	68,429
Salaries and benefits (Notes 15 and 16)	19,078	18,950
Rent, communications and utilities (Note 14)	5,126	5,464
Contractual services	23,814	14,123
Travel	1,431	1,583
Interest on borrowings from U.S. Treasury (Note 6)	3,738	3,815
Depreciation and amortization (Note 2)	1,965	1,944
Writtenown of internally developed software (Note 19)	0	5,098
Other general and administrative expenses	1,563	2,101
	203,974	224,475
NET INCOME	\$214,619	\$185,150

See accompanying notes to the financial statements.

Statements of capital and retained earnings

OVERSEAS PRIVATE INVESTMENT CORPORATION
For the years ended September 30 (\$ in thousands)

	<i>Contributed Capital</i>	<i>Credit Funding</i>	<i>Interagency Transfers</i>	<i>Statutory Reserves</i> <small>Insurance Guaranty</small>	<i>Retained Earnings</i>	<i>Total</i>
				<small>(Notes 9 and 12) (Notes 10 and 12)</small>		
Balance September 30, 1999	\$50,000	\$190,569	\$3,525	\$1,974,828	\$1,017,336	\$ 0
Net income				(93,870)	271,998	7,022
Return of expired credit funding		(83,998)				(83,998)
Credit funding received from:						
Accumulated earnings	28,022				(28,022)	0
Credit funding used	(38,085)			17,085	21,000	0
Dividend to Treasury				(16,576)		(16,576)
Interagency transfers	(200)	(2,440)	3,015			375
Balance September 30, 2000	\$50,000	\$ 96,308	\$1,085	\$1,883,973	\$1,289,843	\$ 0
Net income				(36,935)	251,554	214,619
Credit funding received from:						
Accumulated earnings	23,750			(1,000)	(22,750)	0
Credit funding used	(39,962)				17,212	22,750
Interagency transfers	(200)	62	788			650
Balance September 30, 2001	\$50,000	\$ 79,896	\$1,147	\$1,846,826	\$1,558,609	\$ 0

See accompanying notes to the financial statements.

Statements of cash flows

OVERSEAS PRIVATE INVESTMENT CORPORATION

For the years ended September 30 (\$ in thousands)

	2001	2000
Cash Flows from Operating Activities:		
Net Income	\$214,619	\$185,150
Adjustments to reconcile net income to net cash provided by operating activities:		
Provisions for:		
Political risk insurance	43,848	102,968
Investment financing	103,411	68,429
Amortization of premiums on U.S. securities	18,205	18,506
Accretion of discounts on U.S. securities	(4,064)	(3,688)
Depreciation and amortization of furniture, equipment and leasehold improvements	2,043	1,944
Write down of internally developed software	0	5,098
Increase (Decrease) in assets:		
Accrued interest and fees	(6,520)	(5,213)
Accounts receivable	61	814
Assets acquired in claims settlements	(32,817)	(51,817)
Recoveries on assets acquired in claims settlements	8,464	6,792
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	(441)	1,660
Customer deposits and deferred income	270	1,170
Unearned premiums	(1,825)	(8,267)
Deferred rent and rental incentives	(1,333)	(571)
Insurance claim payments	(2,812)	(219,340)
Recoveries against insurance nonspecific reserve claim payments	270	0
Cash Provided by Operating Activities	341,379	103,635
Cash Flows from Investing Activities:		
Sale and maturity of U.S. securities	401,190	337,062
Purchase of U.S. securities	(634,194)	(379,631)
Repayment of direct loans	27,844	10,116
Disbursement of direct loans	(47,880)	(3,900)
Acquisition of furniture and equipment	200	(544)
Cash Used in Investing Activities	(252,840)	(36,897)
Cash Flows from Financing Activities:		
Dividend to U.S. Treasury	0	(16,576)
Interagency transfers	650	375
Return of expired credit funding	0	(83,998)
Credit Reform (repayments to) borrowings from U.S. Treasury	(5,163)	379
Cash Provided by Financing Activities	(4,513)	(99,820)
NET INCREASE (DECREASE) IN CASH	84,026	(33,082)
CASH AT BEGINNING OF YEAR	594,544	627,626
CASH AT END OF PERIOD	\$678,570	\$594,544

See accompanying notes to the financial statements.

Notes to financial statements

OVERSEAS PRIVATE INVESTMENT CORPORATION September 30, 2001 and 2000

1. Statement of Corporate Purpose

The Overseas Private Investment Corporation (OPIC) is a self-sustaining U.S. Government corporation created under the Foreign Assistance Act of 1961 (FAA), as amended, to facilitate U.S. private investment in developing countries and emerging market economies, primarily by offering political risk insurance, investment guarantees, and direct loans. As a government corporation, OPIC is not subject to income tax.

2. Summary of Significant Accounting Policies

BASIS OF PRESENTATION: These financial statements have been prepared to report the financial position, results of operations, and cash flows of OPIC. OPIC's accounting policies conform to generally accepted accounting principles. OPIC's financial statements are presented on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

REVENUE RECOGNITION: Facility fees are received in advance and recognized as deferred income, then amortized over the applicable loan period. Interest on loans and guaranty fees on investment guarantees are accrued based on the principal amount outstanding. Revenue from both loan interest payments and guaranty fees that is more than 90 days past due is recognized only when cash is received. Revenue from political risk insurance premiums is recognized on a pro-rata basis over the contract coverage period. Accretion of premium and discount on investment securities is amortized into income under a method approximating the effective yield method.

RESERVES FOR POLITICAL RISK INSURANCE AND INVESTMENT GUARANTIES

The reserves for political risk insurance and investment guarantees provide for losses inherent in those operations. These reserves are general reserves, available to absorb losses related to the total insurance and guarantees outstanding, which are off-balance-sheet commitments. The reserves are increased by provisions charged to expense and decreased for claims settlements. The provisions for political risk insurance and investment guarantees are based on management's evaluation of the adequacy of the related reserves. This evaluation encompasses consideration of past loss experience, changes in the composition and volume of the insurance and guarantees outstanding, worldwide economic and political conditions, and project-specific risk factors.

ALLOWANCE FOR UNCOLLECTIBLE LOANS: The allowance for uncollectible loan amounts and related accounts receivable is based on management's periodic evaluations of the loan portfolio. In its evaluation, management considers numerous factors, including, but not limited to, general economic conditions, loan portfolio composition, prior loan loss experience, the estimated fair value of any collateral, and the present value of expected future cash flows.

FUND BALANCE WITH U.S. TREASURY: Substantially all of OPIC's receipts and disbursements are processed by the U.S. Treasury which, in effect, maintains OPIC's bank accounts. For purposes of the Statement of Cash Flows, fund balance with U.S. Treasury is considered cash.

INVESTMENT IN U.S. TREASURY SECURITIES: By statute, OPIC is authorized to invest funds derived from fees and other revenues related to its insurance and preinvestment programs in U.S. Treasury securities. Investments are carried at face value, net of unamortized discount or premium, and are generally held to maturity. OPIC has the ability and intent to hold its investments until maturity or until the carrying cost can be otherwise recovered.

VALUATION OF ASSETS ACQUIRED IN CLAIMS SETTLEMENTS: Assets acquired in claims settlements are valued at the lower of management's estimate of the net realizable value of recovery or the cost of acquisition.

OPIC acquires foreign currency in settlement of inconvertibility claims when an insured foreign enterprise is unable to convert foreign currency into U.S. dollars as well as in some direct loan and investment guaranty collection efforts. The U.S. dollar equivalent is recorded until the foreign currency is utilized by OPIC or other agencies of the United States Government or until it is exchanged for U.S. dollars by the foreign government.

DEPRECIATION AND AMORTIZATION: OPIC capitalizes property and equipment at historical cost for acquisitions exceeding \$5 thousand. Depreciation and amortization of fixed assets, leasehold improvements, and lease incentives are computed using the straight-line method over the estimated useful life of the asset or lease term, whichever is shorter, with periods ranging from 5 to 15 years.

ACQUISITION COSTS: Costs of acquiring new insurance or finance business are expensed in the year incurred as such costs are not considered material.

RECLASSIFICATIONS: Certain FY 2000 balances have been reclassified to conform to FY 2001 financial statement presentations.

USE OF ESTIMATES: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. Intragovernmental Financial Activities

OPIC, as a U.S. Government corporation, is subject to financial decisions and management controls of the Office of Management and Budget. As a result of this relationship, OPIC's operations may not be conducted nor its financial position reported as they would be if OPIC were not a government corporation. Furthermore, in accordance with international agreements relating to its programs, as well as internal U.S. Government operating procedures, foreign currency acquired by OPIC can be used for U.S. Government expenses. This facility constitutes an additional means, which would otherwise be unavailable, by which OPIC can recover U.S. dollars with respect to its insurance and investment financing programs.

4. Fund Balance with U.S. Treasury

OPIC is restricted in its uses of certain cash balances, as described below. The fund balance with U.S. Treasury as of September 30, 2001 and 2000 consists of the following (dollars in thousands):

Fund Balance with U.S. Treasury

	2001	2000
Restricted:		
Pre-Credit Reform	\$ 861	\$ 3,694
Credit Reform	661,041	589,728
Interagency fund transfers	2	252
Unrestricted:		
	16,666	870
Total	\$678,570	\$594,544

The Federal Credit Reform Act of 1990 established separate accounts for cash flows associated with investment financing activity approved prior to implementation of the Act and investment financing activity subject to the Act. With the advent of Credit Reform, OPIC is not permitted to invest its pre-Credit Reform cash balances. These balances grow over time, and when they are determined to be no longer needed for the liquidation of the remaining pre-Credit Reform direct loans and investment guarantees, they are transferred to OPIC's noncredit insurance account. During 2001 and 2000, OPIC transferred \$5 million and \$4.5 million to the noncredit insurance account. Credit Reform balances are also maintained in the form of uninvested funds. The U.S. Treasury pays OPIC interest on those cash balances except for undisbursed credit funding. Those balances are also expected to grow as the volume of Credit Reform financings grows over time.

From time to time the Agency for International Development (A.I.D.) has entered into various memoranda of understanding with OPIC that provide for the transfer of funds from A.I.D. to OPIC to

carry out specific programs. These cash balances may not be commingled with other OPIC cash and are available solely for the purposes of the individual agreements.

5. Credit Funding

OPIC's finance activities are subject to the Federal Credit Reform Act of 1990, which was implemented as of October 1, 1991. Credit Reform requires agencies to estimate the long-term cost to the government of each fiscal year's new credit transactions and to obtain funding through the appropriations process equal to the net present value of such costs at the beginning of the year. OPIC's credit funding is available for two years. In addition, the Act requires the administrative costs related to its credit program to be displayed.

In fiscal year 2001, OPIC's appropriations legislation authorized the corporation to use \$24 million of its accumulated earnings to cover the future costs of credit transactions committed in fiscal years 2001 and 2002. In addition to the credit funding allocated directly to OPIC through the appropriations process, OPIC has received a total of \$67 million in net transfers from other agencies to be used exclusively to finance projects in the New Independent States (NIS).

The following table shows the status of funding for credit activities (dollars in thousands):

	2001	2000
Balance carried forward	\$96,308	\$190,569
Return of expired credit funding	0	(83,998)
Transferred from earnings	23,750	28,022
Interagency transfers (net)	(200)	(200)
Credit funding used	(39,962)	(38,085)
Credit Funding Remaining	\$79,896	\$ 96,308

In fiscal year 2000, OPIC paid a dividend to the U.S. Treasury of \$16.6 million. With this dividend and dividends paid in prior years, OPIC had returned to the General Fund an amount equal to all the direct appropriations used for credit funding since the inception of credit reform. These dividends were paid because although OPIC had been required in certain years to fund its credit activities through direct appropriations, it has been able to meet the costs of those activities from current operations. Also in FY 2000, OPIC returned the balance of unused direct appropriations, totaling \$84 million, to the General Fund.

6. Borrowings From the U.S. Treasury

In accordance with the Federal Credit Reform Act of 1990, the portion of investment financing activities not funded through the appropriations process must be funded by borrowings from the U.S. Treasury. Borrowings for Credit Reform financings totaled \$41.9 million in 2001 and \$3.4 million in 2000, all of which have been disbursed. OPIC paid a total of \$3.7 million and \$3.8 million in interest to the U.S. Treasury during fiscal years 2001 and 2000, respectively, and principal repayments of \$47.1 million and \$3.1 million were made in 2001 and 2000 under OPIC's borrowing agreement with the U.S. Treasury. Future payments and interest rates for borrowings outstanding at September 30, 2001 are as follows (dollars in thousands):

Payment due in:	Interest Rate	Principal Amount Due
Fiscal year 2002	n/a	\$ 0
Fiscal year 2003	n/a	0
Fiscal year 2004	n/a	0
Fiscal year 2005	6.5%	1,823
Fiscal year 2006	4.76%–6.53%	15,143
Thereafter	4.89%–6.38%	40,797
Total		\$57,763

7. Investment in U.S. Treasury Securities

The composition of investments and related receivables at September 30, 2001 and 2000 is as follows (dollars in thousands):

	2001	2000
Investments, amortized cost	\$3,447,289	\$3,244,147
Matured investment receivables	15,721	0
Interest receivable	61,158	58,741
Total	\$3,524,168	\$3,302,888

The investment receivable at year end includes two investments that matured on Saturday, September 30, 2001, but were not redeemed by the U.S. Treasury until the first business day of fiscal year 2002.

The amortized cost and estimated fair value of investments in U.S. Treasury securities are as follows (dollars in thousands):

	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<i>At September 30, 2000</i>				
	\$3,244,147	\$130,676	\$(10,735)	\$3,364,088
<i>At September 30, 2001</i>				
	\$3,447,289	\$323,070	\$(1,121)	\$3,769,238

At September 30, 2001, the securities held at year end had an interest range of 5 percent to 13.8 percent and a maturity period from about 4 days to almost 23 years.

The amortized cost and estimated fair value of U.S. Treasury securities at September 30, 2001, by contractual maturity, are shown below. OPIC generally holds its securities to maturity. Expected maturities would differ from contractual maturities if OPIC were to sell securities prior to maturity (dollars in thousands):

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 359,361	\$ 365,466
Due after one year through five years	1,180,974	1,278,080
Due after five years through ten years	1,136,772	1,207,737
Due after ten years	770,182	917,955
Total	\$3,447,289	\$3,769,238

8. Statutory Limitations on the Issuance of Insurance and Finance

OPIC issues insurance and financing under a single limit for both programs fixed by statute in the Foreign Assistance Act (FAA). At September 30, 2001, this combined limit was \$29 billion, of which combined insurance and finance utilization was \$15.2 billion.

9. Political Risk Insurance

Insurance revenues include the following components (dollars in thousands):

As of September 30	2001	2000
Political risk insurance premiums	\$66,212	\$83,909
Miscellaneous insurance income	365	476
Total Insurance Revenue	\$66,577	\$84,385

OPIC's capital, retained earnings, and reserves available for insurance at September 30, 2001 and 2000 totaled \$2.3 billion and \$2.2 billion, respectively. Charges against retained earnings could arise from (A) outstanding political risk insurance contracts, (B) pending claims under insurance contracts, and (C) guaranties issued in settlement of claims arising under insurance contracts.

(A) POLITICAL RISK INVESTMENT INSURANCE: OPIC insures investments for up to 20 years against three different risks: inconvertibility of currency, expropriation, and political violence. Insurance coverage against inconvertibility protects the investor from increased restrictions on the investor's ability to convert local currency into U.S. dollars. Inconvertibility insurance does not protect against devaluation of a country's currency.

Expropriation coverage provides compensation for losses due to confiscation, nationalization, or other governmental actions that deprive investors of their fundamental rights in the investment.

Insurance against political violence insures investors against losses caused by politically motivated acts of violence (war, revolution, insurrection, or civil strife, including terrorism and sabotage).

Under most OPIC insurance contracts, investors may obtain all three coverages, but claim payments may not exceed the single highest coverage amount. Claim payments are limited by the value of the investment and the amount of current coverage in force at the time of the loss and may be reduced by the insured's recoveries from other sources. In addition, in certain contracts, OPIC's requirement to pay up to the single highest coverage amount is further reduced by stop-loss agreements. Finally, losses on insurance claims may be reduced by recoveries by OPIC as subrogee of the insured's claim against the host government.

OPIC's Maximum Contingent Liability at September 30, 2001 and 2000 was \$8.2 billion and \$9.96 billion. This amount is OPIC's estimate of maximum exposure to insurance claims, which includes standby coverage for which OPIC is committed but not currently at risk. A more realistic measure of OPIC's actual exposure to insurance claims is the sum of each single highest "current" coverage for all contracts in force, or Current Exposure to Claims (CEC). OPIC's CEC at September 30, 2001 and 2000 was \$5.3 billion and \$6.4 billion.

(B) PENDING CLAIMS: At September 30, 2001, the total amount of compensation formally requested in insurance claims for which no determination of specific liability had yet been made was approximately \$19.5 million. In addition to requiring formal applications for claimed compensation, OPIC's contracts generally require investors to notify OPIC promptly of host government action that the investor has reason to believe is or may become a claim. Compliance with this notice provision sometimes results in the filing of notice of events that do not mature into claims.

The highly speculative nature of such notice, both as to the likelihood that the event referred to will ripen into a claim and the amount, if any, of compensation that may become due, leads OPIC to follow a policy of not recording a specific liability related to such notices in its financial statements. Any claims that might arise from these situations are factored into the reserves for political risk insurance.

(C) CLAIMS SETTLEMENT GUARANTIES AND INDEMNITIES: OPIC also has off-balance-sheet risk in connection with one claim settlement. OPIC settled a claim in 1991 through a guaranty of \$30 million of host government obligations. Payments by the host government have reduced OPIC's exposure to \$12.4 million at September 30, 2001. Any claims that might arise from these situations are factored into the nonspecific reserve for political risk insurance.

10. Investment Financing

OPIC provides investment financing through both project and corporate finance and investment funds. Project financing provides medium- to long-term funding through direct loans and investment guarantees to ventures involving significant equity and/or management participation by U.S. businesses. Project financing looks for repayment from the cash flows generated by projects, and as such, sponsors need not pledge their own general credit beyond the required project completion period.

Investment funds use direct loans and investment guarantees to support the creation and capitalization of investment funds that make direct equity and equity-related investments in new, expanding, or privatizing companies in emerging market economies. The fund managers, selected by OPIC, are experienced, private investment professionals. OPIC's participation in a fund takes the form of long-term, secured loans and loan guarantees that supplement the fund's privately raised equity. OPIC's guaranty may be applied only to the debt portion of the fund's capital and, for certain funds, to accrued interest on that debt. OPIC does not guarantee any of the fund's equity, and all equity investments in OPIC-backed funds are fully at risk.

OPIC's authorization to make direct loans and investment guarantees can be found in sections 234(c) and 234(b) of the Foreign Assistance Act (FAA), respectively. Direct loans and investment guarantees are committed in accordance with the Federal Credit Reform Act of 1990, pursuant to which loan disbursements and any claim payments for these commitments have been funded through appropriations actions, borrowings from the U.S. Treasury, and the accumulation of earnings or collection of fees. In fiscal years 2001 and 2000, \$24 million was made available for credit funding costs. OPIC is in compliance with all relevant limitations and credit funding appropriations guidance. OPIC's capital, retained earnings, and reserves available for claims on its investment financing at September 30, 2001 and 2000 totaled \$2.1 billion and \$1.8 billion, respectively.

DIRECT LOANS: Direct loans are made for projects in developing and other eligible countries involving U.S. small business or cooperatives, on terms and conditions established by OPIC. Direct loan exposure including capitalized interest at September 30, 2001 totaled \$392 million, of which \$75 million was outstanding.

Interest income is not accrued on direct loans that have payments that are more than 90 days past due. Loans with payments more than 90 days past due totaled \$12.8 million at September 30, 2001 and \$18.2 million at September 30, 2000. If interest income had been accrued on those loans, it would have approximated \$600,000 during fiscal year 2001 and \$1.1 million during fiscal year 2000. Interest collected on delinquent loans and recorded as income when received amounted to \$1.3 million and \$471,000 for fiscal years 2001 and 2000, respectively.

Changes in the allowance for uncollectible loans during fiscal years 2001 and 2000 were as follows (dollars in thousands):

As of September 30	2001	2000
Beginning balance	\$9,202	\$16,953
Charge-offs	(1,880)	(7,010)
Recoveries	3,242	68
Reduction in provisions	(1,479)	(809)
Ending Balance	\$9,085	\$ 9,202

INVESTMENT GUARANTIES: OPIC's investment guaranty covers the risk of default for any reason. In the event of a claim on OPIC's guaranty, OPIC makes payments of principal and interest to the lender. The loans that are guaranteed can bear either fixed or floating rates of interest and are payable in U.S. dollars. OPIC's losses on payment of a guaranty are reduced by the amount of any recovery from the borrower, the host government, or through disposition of assets acquired upon payment of a claim. Guarantees extend from 5 to 17 years for project finance and from 10 to 12 years for investment funds.

Credit risk represents the maximum potential loss due to possible nonperformance by borrowers under terms of the contracts. OPIC's exposure to credit risk under investment guarantees was \$6.6 billion at September 30, 2001, of which \$3.4 billion was outstanding. Of the \$6.6 billion, \$3.6 billion related to project finance and \$3.0 billion related to investment fund guarantees. Included in the \$3.0 billion of investment fund exposure is \$824 million of estimated interest that could accrue to the guaranteed lender. This interest generally accrues over a 10-year period, payable upon maturity. Upon complete nonperformance by the borrower, OPIC would be liable for principal outstanding and interest accrued on disbursed investment funds. At September 30, 2001, \$239 million of the \$824 million had actually accrued to the guaranteed lender on disbursed investment funds; the remainder represents an estimate of interest that could accrue to the guaranteed lender over the remaining investment fund term.

Section 235 of the FAA requires OPIC to maintain a Guaranty Reserve, which is reflected in the Capital and Retained Earnings section of the balance sheet under the heading "Retained earnings statutorily reserved."

11. Assets Acquired in Claim Settlements

Claim related assets may result from payments on claims under either the insurance program or the investment financing program. Under the financing program, when OPIC pays a guaranteed party a receivable is created. Under the insurance program, similar receivables reflect the value of assets, generally shares of stock, local currency, or host country notes, that may be acquired as a result of a claim settlement. These receivables are generally collected over a period of 5 to 15 years. On November 17, 1999, OPIC paid two insurance claims totaling \$217.5 million. OPIC's potential loss on these claims is included in allowance for doubtful recoveries at September 30, 2001 and 2000. In fiscal year 2001, OPIC entered into an agreement related to these claims with the host government of Indonesia to recover, over a 14-year period, the outstanding receivable plus interest that is due on these two claims. Collections scheduled to commence in August of 2002 are to be received semi-annually.

12. Statutory Reserves and Full Faith and Credit

Section 235(c) of the FAA established a fund with separate accounts known as the Insurance Reserve and the Guaranty Reserve for the respective discharge of liabilities arising from investment insurance or from guarantees issued under Section 234(b) of the FAA. These reserves are reflected on the balance sheet under "Retained earnings statutorily reserved." These amounts may be increased by transfers from retained earnings or by appropriations. In FY 2001, OPIC's Board of Directors authorized the allocation of all retained earnings to these statutory reserves, thereby reflecting OPIC's increased ability to absorb potential losses without having to seek appropriated funds. The allocation of retained earnings to the Insurance Reserve and the Guaranty Reserve is based on the amount of maximum exposure outstanding for insurance and guarantees, respectively.

All valid claims arising from investment insurance and guarantees issued by OPIC constitute obligations on which the full faith and credit of the United States of America is pledged for full payment. At September 30, 2001 and 2000, the statutory Insurance Reserve totaled \$1.8 billion and \$1.9 billion, respectively, and the statutory Guaranty Reserve totaled \$1.6 billion and \$1.3 billion respectively. Should funds in OPIC's reserves not be sufficient to discharge obligations arising under investment insurance, and if OPIC exceeds its \$100 million borrowing authority authorized by statute for its insurance program, funds would have to be appropriated to fulfill the pledge of full faith and credit to which such obligations are entitled. Standing authority for such appropriations is contained in Section 235(f) of the FAA. The Federal Credit Reform Act of 1990 authorizes permanent, indefinite appropriations and borrowings from the U.S. Treasury, as appropriate, to carry out all obligations resulting from the investment financing program.

13. Disclosures About Fair Value of Financial Instruments

The estimated values of each class of financial instrument for which it is practicable to estimate a fair value at September 30, 2001 are as follows (dollars in thousands):

Financial Assets	Carrying Amount	Fair Value
Cash	\$ 678,570	\$ 678,570
U.S. Treasury securities	3,447,289	3,769,238
Interest receivable on securities	61,158	61,158
Direct loans	65,300	65,300
Accounts receivable from investment guarantees	40,232	40,232
Assets acquired in insurance claims settlements	142,086	142,086

Financial Liabilities

Borrowings from the U.S. Treasury	57,763	57,763
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The methods and assumptions used to estimate the fair value of each class of financial instrument are described below:

CASH: The carrying amount approximates fair value because of the liquid nature of the cash, including restricted cash.

U.S. TREASURY SECURITIES: The fair values of the U.S. Treasury Securities are estimated based on quoted prices for Treasury securities of the same maturity available to the public. (OPIC is not authorized, however, to sell its securities to the public, but is instead restricted to direct transactions with the U.S. Treasury.) Interest receivable on the securities is due within 6 months and is considered to be stated at its fair value.

DIRECT LOANS, ACCOUNTS RECEIVABLE RESULTING FROM INVESTMENT GUARANTIES, AND ASSETS ACQUIRED IN INSURANCE CLAIMS SETTLEMENTS: These assets are stated on the balance sheet at the present value of the amount expected to be realized. This value is based on management's quarterly review of the portfolio and considers specific factors related to each individual receivable and its collateral. The stated value on the balance sheet is also management's best estimate of fair value for these instruments.

BORROWINGS FROM THE U.S. TREASURY: The fair value of borrowings from the U.S. Treasury is estimated based on the face value of borrowings discounted over their term at year-end rates. These borrowings were required by the Federal Credit Reform Act, and repayment terms are fixed by the U.S. Treasury in accordance with that Act.

INVESTMENT GUARANTIES COMMITTED AND OUTSTANDING: OPIC's investment guarantees are intended to provide a means of mobilizing private capital in markets where private lenders would be unwilling to lend without the full faith and credit of the U.S. Government. Given the absence of a market for comparable instruments, it is not meaningful to calculate their fair value.

14. Operating Lease

Minimum future rental expenses under the 15-year lease at 1100 New York Avenue, N.W. will be approximately \$5.1 million annually, with additional adjustments tied to the consumer price index. Lease incentives related to OPIC's 1992 move to this location totaled \$16.7 million. The value of these incentives is deferred in the balance sheets and is being amortized to reduce rent expense on a straight-line basis over the 15-year life of the lease. Rental expense for 2001 and 2000 was approximately \$4.5 million and \$4.3 million.

15. Pensions

OPIC's permanent employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). For CSRS, OPIC withheld 7.0 percent of employee gross 2001 earnings. In 2001, OPIC contributed 8.51 percent of employees' gross earnings, and the sum was transferred to the Civil Service Retirement Fund from which this employee group will receive retirement benefits. For FERS, OPIC withheld 0.80 percent of employees' gross earnings. In 2001, OPIC contributed 10.7 percent of employees' gross earnings. This sum is transferred to the FERS fund from which the employee group will receive retirement benefits. An additional 6.2 percent of the FERS employees' gross earnings is withheld; that plus matching contributions by OPIC are sent to the Social Security System from which the FERS employee group will receive social security benefits. OPIC occasionally hires employees on temporary appointments, and those employees are covered by the Social Security System under which 6.2 percent of earnings is withheld and matched by OPIC.

FERS (after an initial eligibility period) and CSRS employees may elect to participate in the Thrift Savings Plan (TSP). Based on employee elections, 0 to 6 percent of gross CSRS earnings is withheld and 0 to 11 percent of gross FERS earnings is withheld. FERS employees receive an automatic 1 percent contribution from OPIC. Amounts withheld for FERS employees are matched by OPIC, up to an additional 4 percent, for a total of 5 percent.

Although OPIC funds a portion of employee pension benefits under the CSRS, the FERS, and the TSP, and makes necessary payroll withholdings, it has no liability for future payments to employees under these programs. Furthermore, separate information related to OPIC's participation in these plans is not available for disclosure in the financial statements. Paying retirement benefits and reporting plan assets and actuarial information is the responsibility of the U.S.

Office of Personnel Management and the Federal Retirement Thrift Investment Board, which administer these plans. Data regarding the CSRS and FERS actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability are not allocated to individual departments and agencies.

16. Postretirement Benefits

OPIC sponsors three defined benefit postretirement plans that cover qualifying employees. The three plans provide major medical coverage, dental and vision coverage, and life insurance. The medical and the dental and vision plans are both contributory plans. The life insurance plan includes options that are contributory and noncontributory.

Shown below is disclosure information for the years ended September 30, 2001 and 2000 (dollars in thousands):

	2001	2000
Reconciliation of Accrued Benefit Cost		
Benefit liability at end of year	\$(3,324)	\$(3,032)
Fair value of plan assets at end of year	0	0
Funded Status at year end	\$(3,324)	\$(3,032)
Unrecognized net actuarial gain	(812)	(942)
Accrued benefit cost	\$(4,136)	\$(3,974)
Components of Net Periodic Benefit Cost		
Service cost	\$ 107	\$ 117
Interest cost	228	224
Expected return on plan assets	0	0
Recognized net actuarial loss	(69)	(43)
Net periodic benefit cost	\$ 266	\$ 298

Effect of Health Care Trend

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects as of or for the year ended September 30, 2001 (dollars in thousands):

	1 Percentage Point Increase	1 Percentage Point Decrease
Effects on total service cost and interest cost components		
	\$ 50	\$ (41)
Effect on postretirement benefit liability	474	(371)
Change in Benefit Liability		
Benefit liability at beginning of year	\$(3,032)	\$(3,049)
Service cost	(107)	(118)
Interest cost	(228)	(224)
Actuarial gain/(loss)	(62)	247
Benefits paid	105	112
Benefit liability at end of year	\$(3,324)	\$(3,032)
Weighted-average discount rate assumption as of September 30	7.50%	8.00%

For measurement purposes, a 10 percent annual rate of increase in the per capita cost of medical benefits was assumed for 2001. The rate was assumed to decrease gradually to 9 percent for 2002, 8 percent in 2003, 7 percent in 2004, 6 percent in 2005, 5.5 percent in 2006 and remain at that level thereafter. The per capita cost for dental benefits was assumed to increase by 5.5 percent for each year.

17. Concentration of Risk

OPIC is subject to certain risks associated with financial instruments not reflected in its balance sheet. These financial instruments include political risk insurance, loan guaranties, and committed-but-un-disbursed direct loans.

With respect to political risk insurance, OPIC insures against currency inconvertibility, expropriation of assets, and political violence. Additionally, OPIC provides investment financing through direct loans and investment guaranties.

OPIC's credit policy is to take a senior security position in the assets of the projects or transactions it guarantees. The nature and recoverable value of the collateral pledged to OPIC varies from transaction to transaction and may include tangible assets, cash collateral or equivalents, and/or a pledge of shares in the project

company as well as personal and corporate guaranties. OPIC takes all necessary steps to protect its position in such collateral and retains the ability to enforce its rights as a secured lender if such action becomes necessary.

The following is a summary of OPIC's off-balance-sheet risk at September 30, 2001 and 2000 (dollars in thousands):

	Total	Unused	Outstanding Commitments
Guaranties	\$6,498,216	\$3,378,881	\$3,119,335
Undisbursed direct loans	317,590	-----	317,590
Insurance	8,246,003	5,323,861	2,922,142
2000			
	Total	Unused	Outstanding Commitments
Guaranties	\$6,521,979	\$3,199,636	\$3,322,343
Undisbursed direct loans	186,024	-----	186,024
Insurance	9,957,534	6,363,020	3,594,514
OPIC's off-balance-sheet finance and insurance exposure involves coverage outside of the United States. The following is a breakdown of such total commitments at September 30, 2001 by major geographical area (dollars in thousands):			
	Loan Guaranties	Portion on Direct Loans	Insurance
Africa	\$ 713,825	\$ 26,000	\$ 274,868
Asia	732,712	111,932	1,371,853
Europe	860,914	29,979	634,653
Latin America	2,549,479	67,179	5,287,285
Middle East	160,807	8,000	378,862
NIS (New Independent States)	865,816	72,000	548,722
Worldwide	614,663	2,500	0
Insurance Stop-loss Adjustment	0	0	(250,240)
	\$6,498,216	\$317,590	\$8,246,003

OPIC has several client-specific contracts with stop-loss limits that are less than the aggregate coverage amounts. The insurance stop-loss adjustment represents the difference between the aggregate coverage amount and OPIC's actual exposure under these contracts.

At September 30, 2001, OPIC's largest finance and insurance exposure was in the following countries and sectors (dollars in thousands):

	Country	Sector
Brazil	\$2,330,384	Power Generation
Argentina	1,636,462	Financial Services
Turkey	1,048,148	Oil & Gas Services
Venezuela	999,625	Manufacturing
Colombia	690,036	Communications

18. Other Contingencies

OPIC is currently involved in certain legal claims and has received notifications of potential claims in the normal course of business. Management believes that the resolution of these matters will not have a material adverse impact on OPIC.

19. Writedown of Internally Developed Software

In fiscal year 2000, management analyzed previously capitalized costs associated with internally developed software and determined that a portion of those costs would no longer be of future benefit and should be written down by \$5.1 million. The writedown was calculated as the difference between the carrying amount less costs identified by management as having future economic benefit, in accordance with FAS 121, "Accounting for Impairment of Long-lived Assets." There was no writedown in fiscal year 2001.

20. Statutory Covenants

OPIC's enabling statute stipulates both operating and financial requirements with which OPIC must comply. In management's opinion, OPIC is in compliance with all such requirements.

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Gregory Maggio (Guatemala)

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page 2

*Gregory Maggio (top, Guatemala)
Ruth Stern (middle, Cartagena, Colombia)
Michael Messer (bottom, India)*

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Gregory Maggio (middle, Syktyvkar, Komi Republic, Russia; bottom, Guatemala)

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*Gregory Maggio (top, Guatemala)
Lori Leonard (middle, Vilnius, Lithuania)
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*(top, Barranquilla, Colombia)
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Gregory Maggio (bottom, Syktyvkar, Komi Republic, Russia)*

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Gregory Maggio (all, Guatemala)

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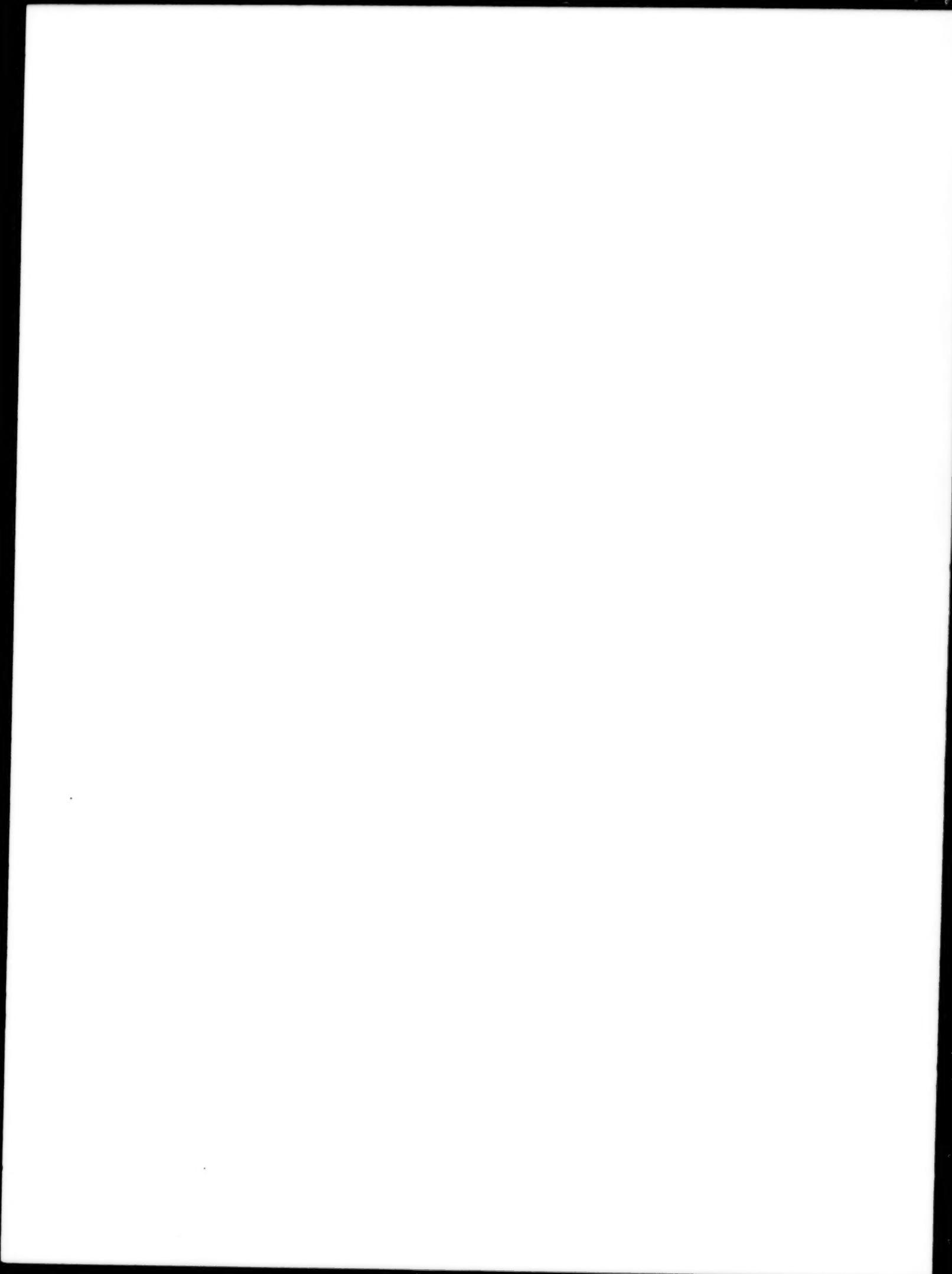
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END

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